

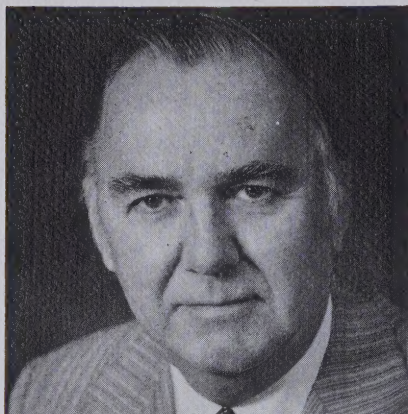
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1972 ANNUAL REPORT

INCOME DISABILITY AND REINSURANCE COMPANY  
OF CANADA

Can General Life Insurance Co.  
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## PRESIDENT'S REPORT TO THE SHAREHOLDERS

It is a pleasure on behalf of the Board of Directors to submit our thirteenth Annual Report.

Earnings for 1972 gained by more than 40% to \$283,390 or \$1.15 per share, from \$197,508 or 80¢ per share in 1971. Investment income increased by 18% to \$384,890, while total assets rose by 22% to \$6,992,350.

Since our inception, we have concentrated on writing disability income insurance. Our success is measured by the fact that we are now the leading Canadian company in this field. Diversification was begun with our thrust, 5 years ago, into life insurance and equity-linked programs. To year end, we have written more than \$120,000,000 of life insurance. Premiums from life business now constitute 30% of our total premium income. Our equity-linked programs and the Segregated Funds supporting them are considered by the industry among the best available.

During 1972, Income Disability and Reinsurance Company of Canada joined the Canadian General Insurance Group of Companies. Canadian General Insurance is part of Traders Group Limited. The move places Income Disability and Reinsurance Company of Canada squarely in the mainstream of Canada's financial community. Of equal importance, your Company now has access to a substantially larger, and thoroughly sophisticated, marketing capacity.

The support we have received over the years from our personnel and our brokers continued in 1972 and we are sincerely grateful.

March 13, 1973

CHARLES P. FLOOD,  
President.

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AUDITORS' REPORT

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\$18,732 ~ 8 cents

To the Shareholders and Directors of  
Income Disability and Reinsurance Company of Canada:

We have examined the balance sheet of Income Disability and Reinsurance Company of Canada as at December 31, 1972 and the summaries of surplus and operations for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

Policy reserves and other actuarial liabilities are stated at amounts certified by the Company's consulting actuary to be appropriate.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1972 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance of Canada, which, except for the change with our concurrence in the method of providing for income taxes as explained in Note 1 to the financial statements, have been applied on a basis consistent with that of the preceding year.

The financial statements of the Company for the year ended December 31, 1971 were examined by other independent public accountants.

PRICE WATERHOUSE & CO.

Hamilton, Ontario  
January 29, 1973

Chartered Accountants

INCOME DISABILITY AND RE  
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ASSETS

December 31

	<u>1972</u>	<u>1971</u> (as restated)
Investments (Note 2):		
Bonds and debentures	\$2,812,513	\$2,330,535
Common and preferred shares	780,197	648,186
Mortgages	1,730,545	1,625,607
Interest-bearing cash deposits	<u>301,711</u>	<u>236,262</u>
	5,624,966	4,840,590
Accrued interest	<u>74,564</u>	<u>57,245</u>
	5,699,530	4,897,835
Cash	35,691	44,823
Premiums receivable	131,542	89,905
Amounts due from reinsurers	48,818	26,962
Other admitted assets	4,026	6,329
Segregated investment funds at market values	1,072,743	646,820

APPROVED ON BEHALF OF THE BOARD:

Charles P. Flood, Director

James W. McCutcheon, Director

\$6,992,350

\$5,712,674



INSURANCE COMPANY OF CANADA  
STATEMENT OF FINANCIAL POSITION

LIABILITIES, CAPITAL AND SURPLUS

December 31

	1972	1971 (as restated)
Actuarial reserve for life contracts	\$ 215,985	\$ 152,167
Provision for unearned premiums	374,010	125,254
Provision for unpaid and unreported claims	1,719,575	1,208,476
Provision for policyholder obligations	276,014	494,515
Premium paid in advance	7,526	22,346
Income and other taxes payable	167,527	91,542
Other liabilities	144,909	112,156
Deferred income taxes	38,000	30,000
Segregated investment fund liabilities	894,143	510,820
Total liabilities	3,837,689	2,747,276
Capital and surplus:		
Capital stock — (Notes 3 and 4)		
Authorized —		
1,000,000 shares of \$5 par value each		
Issued and fully paid —		
246,490 shares (including 520 shares issued in 1972 for cash)	1,232,450	1,229,850
Investment reserve	64,520	91,470
Equity in segregated investment funds	178,600	136,000
Surplus	1,679,091	1,508,078
	3,154,661	2,965,398
	<u>\$6,992,350</u>	<u>\$5,712,674</u>

INCOME DISABILITY AND REINSURANCE COMPANY  
OF CANADA

SUMMARY OF SURPLUS

For the year ended  
December 31

	1972	1971 (as restated)
Balance — Beginning of year as previously reported	\$1,538,078	\$1,397,420
Adjustment of prior year's income taxes (Note 1)	30,000	20,000
As restated	1,508,078	1,377,420
Net income for the year	283,390	197,508
Premium on issue of capital stock	2,080	—
	1,793,548	1,574,928
Dividends paid	61,592	59,033
Redemption of stock option rights	67,057	—
Undistributed segregated fund earnings	12,758	6,192
Increase (decrease) in investment reserve	(26,950)	1,625
	114,457	66,850
Balance — End of year	<u>\$1,679,091</u>	<u>\$1,508,078</u>

**INCOME DISABILITY AND REINSURANCE COMPANY  
OF CANADA**

**SUMMARY OF OPERATIONS**

	<u>For the year ended</u>	
	<u>December 31</u>	
	<u>1972</u>	<u>1971</u>
		(as restated)
Income:		
Net premiums written	\$3,219,000	\$2,546,839
Increase in unearned premiums	<u>248,756</u>	<u>28,615</u>
Net premiums earned	2,970,244	2,518,224
Investment income	384,890	325,180
Net gain on sale of investments	<u>28,782</u>	<u>48,055</u>
Expenses:	3,383,916	2,891,459
Policyholder benefits —		
Claims	1,286,764	838,785
Premiums transferred to segregated funds	238,171	223,368
Increase in policyholder reserves	<u>292,244</u>	<u>667,903</u>
	1,817,179	1,730,056
Commissions	574,975	451,938
Other operating expenses	391,786	323,631
Premium taxes	<u>63,586</u>	<u>50,326</u>
	2,847,526	2,555,951
Income before taxes	536,390	335,508
Provision for income taxes:		
Current	245,000	* 128,000
Deferred (Note 1)	<u>8,000</u>	<u>10,000</u>
	253,000	138,000
Net income	<u>\$ 283,390</u>	<u>\$ 197,508</u>
Earnings per share (Note 5)	<u>\$ 1.15</u>	<u>\$ .80</u>



# **INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1972**

### **1. CHANGE IN ACCOUNTING PRACTICE**

In 1972 the Company adopted the generally accepted accounting principle of calculating its income tax on the deferred income tax basis. The effect of the change is disclosed in the summaries of surplus and operations.

Other 1971 comparative figures have been reclassified to conform to the account classification adopted in 1972.

### **2. INVESTMENTS**

Bonds and debentures are valued at amortized cost; preferred and common stocks are valued at cost. The market value of these investments as authorized by the Department of Insurance of Canada is \$3,678,280.

### **3. SHARE PURCHASE WARRANTS**

There are share purchase warrants outstanding which entitle the holders to acquire 153,600 shares at \$16.00 per share until expiry on December 31, 1975. 120 shares were issued on the exercise of warrants during the year.

### **4. OPTIONS TO PURCHASE SHARES**

The Company has reserved 36,290 shares for stock options which expire April 1, 1974. The Board of Directors establish the formula by which options may be earned or granted and the date by which they may be exercised. The exercise price for the shares so reserved is the greater of 85% of market at the date earned or granted and \$7.50 for 28,593 shares and the greater of 85% of market at the date earned or granted and \$12.00 for 7,697 shares. During 1972 options for 400 shares were exercised and the Company purchased options for 26,723 shares from their holders for a total consideration of \$67,058.

### **5. FULLY DILUTED EARNINGS PER SHARE**

If it were assumed that all of the warrants and options outstanding at December 31, 1972 had been exercised as of January 1, 1972 the earnings per share for the current year would have been \$.95.

## **INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA**

### **DIRECTORS**

ROBERT E. BETHELL	President, Canadian General Insurance Company
N.J. BLAIR, M.D., B.Sc., C.R.C.S.(C)	Physician
G. RICHARD CHATER	President, Grafton Group Limited
HENRY E. DYNES	President, Traders Group Limited
CHARLES P. FLOOD	President, Income Disability and Reinsurance Company of Canada
JOHN M. JUDSON	Barrister & Solicitor, Shibley, Righton & McCutcheon
JAMES W. McCUTCHEON	Barrister & Solicitor, Shibley, Righton & McCutcheon
ANDREW SARLOS, C.A.	President, MerBan Capital Corporation Limited
GORDON R. SHARWOOD	President, Guaranty Trust Company of Canada

### **OFFICERS**

CHARLES P. FLOOD	President
F. PAUL KEEFE, C.A.	Vice President and Secretary-Treasurer
BERYL A. FOSTER	Assistant Secretary

AUDITORS	Price Waterhouse & Co.	Hamilton
BANKERS	Royal Bank of Canada	Hamilton
LEGAL COUNSEL	Weatherston, Bowlby, Luchak & Martino	Hamilton
	Shibley, Righton & McCutcheon	Toronto
INVESTMENT ADVISORS	Sceptre Investment Counsel Limited	Toronto
TRANSFER AGENT	Hamilton Trust and Savings Corporation	Hamilton
LISTED ON	Toronto Stock Exchange	
HEAD OFFICE	105 Main Street East	Hamilton



